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C O N F I D E N T I A L SECTION 01 OF 03 TEGUCIGALPA 001102

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STATE FOR WHA/CEN
THIS CABLE WAS CLEARED BY A/S TOM SHANNON

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SUBJECT: MEETING WITH A/S SHANNON: BUSINESS LEADERS EXPRESS
SUPPORT FOR NEGOTIATIONS

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Classified By: Ambassador Hugo Llorens, reasons 1.4 (b & d)

¶1. (C) Summary: At a breakfast with A/S Shannon and his delegation, business leaders expressed support for a negotiated political settlement. They said that Honduras had been hard-hit by the global economic downturn and that the crisis had exacerbated the situation. While the business leaders had continuing concerns, including reservations about some aspects of the draft accord and worries that President Zelaya and Venezuelan President Hugo Chavez will stir up trouble if Zelaya returns, they told the delegation that an accord represented the best way out of the crisis. They provided the delegation with a public statement of support for the negotiation process. The business community, initially supportive of the coup, has come a long way in its thinking since June 28. End summary.

¶2. (SBU) A/S Shannon, P/DAS Kelly, and NSC advisor Restrepo attended a breakfast for business leaders at the DCM's residence on October 29. The Ambassador, Economic Counselor, and Economic Officer were also present. Business community representatives included Camilo Atala, president of the Honduran chapter of the Business Council of Latin America (CEAL); Amilcar Bulnes, president of the Honduran National Business Council (COHEP), Luis Larach, President of the Cortes Chamber of Commerce; Roque Rivera, Executive President of the Honduran Association of Banking Institutions (AHIBA); Juan Moya, President of the American Chamber of Commerce; Norman Garcia, advisor to the president of COHEP; Emilio Larach, general manager of Larach and Company, a large hardware company; and Vilma Sierra de Fonseca, executive president of the Foundation for Investment and Development (FIDE).

Economic Concerns

¶3. (C) Atala told A/S Shannon that the world economic downturn has had a serious effect on the Honduran economy. Remittances are down and the maquila industry has lost 30,000 jobs. Bulnes added that Honduras has lost 250,000 jobs across all sectors. Atala said that there is a lack of both international and domestic confidence in Honduras. He

believes that a conclusion to the political crisis would help the economy recover. For this reason, he said, the business community supports the Guaymuras dialogue.

¶14. (C) Bulnes emphasized to A/S Shannon that the business community is apolitical. However, he said, the events since June 28 have been cast as a fight between the rich and the poor and there have been numerous allegations that members of the business community financed the coup. Bulnes denied that this was the case and said that the USG's revocation of some business leaders' visas was unfair.

Moving Toward an Accord

¶15. (C) A/S Shannon told the business leaders that the purpose of the delegation's visit was to push for continued dialogue. He said that the Secretary and the international community want an agreement so that they can shift their focus to providing election support, thus ensuring that the November 29 elections are free, fair, and transparent. The USG, he said, is prepared to unilaterally enforce guarantees immediately after the accord is signed. He expressed concern that President Zelaya and de facto regime head Micheletti are more focused on June 28 (the date of the coup d'tat) than January 27 (the date of next year's Presidential inauguration) and stressed the need to focus on the future, not the past. Atala responded that the group agreed with A/S Shannon on the need to look forward, especially to January 27.

¶16. (C) A/S Shannon pointed out that Micheletti has no credibility outside of Honduras and that the international community sees him as "playing out the clock." He said that the USG does not want to have to resort to Plan B (i.e. a decision on recognition of the elections in the absence of an

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accord), saying that it would be detrimental to Honduras if no accord were signed. The negative consequences would include the lack of international observers on November 29, the possibility of election-related violence, and the continuation of the combined political and economic crises.

¶17. (C) Bulnes told Shannon that the business community supports the idea (agreed upon by Zelaya's and Micheletti's negotiating teams) that Congress should decide whether to reinstate Zelaya. Atala commented that, with legislative as well as presidential elections coming up, many members of Congress would be reluctant to vote for either Micheletti or Zelaya. A/S Shannon reassured them that the USG understands these complications. The Ambassador noted that the presidential candidates represent the future and that they have an interest in international recognition of the victor in the elections.

¶18. (C) Atala told A/S Shannon that members of the private sector recognize the importance of an accord. If the negotiating parties come to agreement, they will support the accord even if they do not agree with all of its clauses. Atala expressed particular concern with the treatment of amnesty in the agreement. He noted that the president-elect will have significant influence over the Congress after November 29. On behalf of the group, he thanked A/S Shannon for his efforts and warned him that he will have to twist some arms to get an accord signed.

Concerns about Chavez

¶19. (C) In a separate conversation with P/DAS Kelly and NSC Senior Advisor Restrepo, business leaders Norman Garcia, Wilma Sierra, and Emilio Larach said that they agreed with the U.S. position that a negotiated settlement represents the best way out of the crisis. The Honduran participants told the delegation members that this was the only way to thwart Venezuelan President Hugo Chavez's efforts to sow division in Honduras and in the region. A failure to resolve Honduras's

political divisions would, Garcia said, fuel the type of polarization that characterized the politics of the region in the 1980s -- a situation that the others agreed must be avoided. Restrepo said that, without a settlement, not only Chavez and his allies but the leaders of more moderate countries such as Brazil would find it difficult to recognize the outcome of the November elections. P/DAS Kelly told the business leaders that a center-right leader of a country in the region had commented that what happened to Zelaya could happen to him or any of his counterparts.

¶10. (C) Restrepo said that he understood the concerns among many of Zelaya's critics that his return to office could be dangerous and destabilizing, particularly given his close relationship with Chavez. However, he pointed out that, during the 120 days of the crisis, Chavez has failed to unleash the type of unrest that would seriously destabilize Honduran society.

11 (C) Garcia expressed concern about the divisions the crisis has created in Honduran society, including resentment against the business community. He noted that graffiti reading "Be a patriot -- kill a Turk" has appeared on walls in Tegucigalpa. (Note: The word "Turk" is a reference to the many members of Honduras's business community with Middle Eastern ancestry. End note.) He said that, in this context, moving forward with the Pathways to Prosperity initiative was more important than ever. Sierra said she hoped that, if a settlement is reached, the Organization of American States (OAS) will not be alone in providing election observers. The OAS, she said, has lost credibility during the crisis. Kelly and Restrepo assured her that, if there is a settlement, the U.S. will participate in the OAS effort.

¶12. (C) Garcia noted that a number of obstacles to a negotiated settlement remain. He said that President Zelaya has been instructed by Chavez not to sign an accord, and that Micheletti can be very stubborn. P/DAS Kelly and

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Restrepo urged the business leaders to continue pressing Micheletti to sign an accord. The business leaders agreed to do so.

Business Community Statement

¶13. (U) The business leaders shared with the delegation a joint statement that CEAL, COHEP, and the Tegucigalpa Chamber of Commerce had issued on October 22. The statement expresses support for the Guaymuras Dialogue and notes with satisfaction that this stage of the negotiating process is Honduran-led. It says that the fact that consensus has not yet been reached on whether Congress or the Supreme Court should decide on the issue of Zelaya's restitution does not mean that the talks have failed. The statement calls on the Honduran public to vote in the elections and on the international community to recognize the results.

LLORENS